



# **AGRICULTURAL LAND ASSESSMENT UNDER THE PRODUCTIVITY SYSTEM**

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# Ag Land Assessment - Overview

- Beginning with the 2010 assessments (for taxes payable in 2011) agricultural land in South Dakota is assessed based upon its productivity (agricultural income) value. The Department of Revenue contracts with South Dakota State University (SDSU) to produce the agricultural income value for the productivity valuation system. This value is the starting point for valuing all agricultural land in the state and is adjusted by the county Director of Equalization to ensure uniform and fair valuations.
- The data used to establish the agricultural income value is from official estimates published by the United States Department of Agriculture, National Agricultural Statistics Services (USDA/NASS). These official estimates are based upon surveys of farmers, ranchers and agribusinesses.
- The Department of Revenue sends each county its average assessed value per acre for cropland and non-cropland, along with the background information provided by SDSU. The counties then spread these values according to the soil survey. As with the old market valuation system, the values spread by the soil survey create the base valuation system, upon which the county makes adjustments.

# How is Ag Land Assessed in South Dakota?

SDCL 10-6-33.28. Notwithstanding the provisions of § 10-6-33, beginning on July 1, 2009, **agricultural land shall be assessed based on its agricultural income value on a per acre basis**. The agricultural income value of agricultural land shall be determined on the basis of productivity and the annual earnings capacity of the agricultural land. The productivity of agricultural land and its annual earning capacity shall be based on data collected and analyzed pursuant to this section and §§ 10-6-33.29 to 10-6-33.33, inclusive.

**Agricultural income value is defined as the capitalized annual earning capacity on a per acre basis which has been adjusted by an amount that reflects the landowner's share of the gross return.** The capacity of cropland to produce agricultural products shall be based on the income from crops or plants produced on the land. The capacity of noncropland to produce agricultural products shall be based on cash rents or the animal unit carrying capacity of the land, or a combination of both. For the purpose of this section, **annual earning capacity** for:

- (1) **Cropland is thirty-five percent** of the annual gross return to the land; and
- (2) **Noncropland is one hundred percent** of the annual gross return to the land based on cash rent for noncropland.

The **annual earning capacity shall be capitalized at a rate of six and six-tenths percent** to determine the agricultural income value.

**Source:** SL 2008, ch 44, § 5; SL 2009, ch 40, § 1.

# How is the Agricultural Income Value Determined?

Cropland Agricultural  
Income Value =

Gross Revenue per acre x landlord share (35%)  
Capitalization rate (6.6%)

Noncropland Agricultural  
Income Value =

Average Cash Rent x landlord share (100%)  
Capitalization rate (6.6%)

# How is the Gross Revenue per Acre and Average Cash Rent Determined?

SDCL 10-6-33.29. **The secretary of revenue shall enter into contracts with South Dakota State University and, if necessary, the South Dakota Agricultural Statistics Service for the purpose of creating a database to determine the agricultural income value of agricultural land by county.** The cropland data may include: acres planted, acres harvested, yield per acre, and statewide crop prices. The noncropland data may include: cash rents, rangeland acres, pastureland acres, rangeland AUM's per acre, pastureland AUM's per acre, grazing season data, and statewide cow and calf prices. The Agricultural Land Assessment Implementation and Oversight Advisory Task Force may recommend other cropland and noncropland data to the Legislature for subsequent use in the database. The secretary shall have such data collected for 2001, which will serve as the first year of the database, and each year thereafter. **The database shall consist of the most recent eight years of data that have been collected and the two years, one year representing the highest agricultural income value and one year representing the lowest agricultural income value, shall be discarded from the database.** The database for the 2010 assessment for taxes payable in 2011 shall consist of data from 2001 to 2008, inclusive, and the database for each assessment year thereafter shall be adjusted accordingly. South Dakota State University shall provide the data for each county to the secretary of revenue by June first of each year.

**Source:** SL 2008, ch 44, § 6; SL 2009, ch 40, § 2; SL 2011, ch 1 (Ex. Ord. 11-1), § 161, eff. Apr. 12, 2011; SL 2011, ch 49, § 1.

# How is the Agricultural Income Per Acre applied to Individual Parcels?

- Example:
  - County has a value of \$125/acre for cropland with a rating of 1.000
  - County has a value of \$100/acre for noncropland with a rating of 1.000
  - The rating of each soil type in a parcel is multiplied by these values to determine the value of that particular soil

Map Unit	Rating	Acres	Unit Value	Total
<i>Crop Soils</i>				
HIB	.720	42	90.00	3,780.00
HeA	.820	41	102.50	4,202.50
ReA	.770	8	96.25	770.00
HkA	.810	9	101.25	911.25
<i>Noncrop Soils</i>				
GhC	.630	44	63.00	2,772.00
JbD	.250	14	25.00	350.00
BeE	.260	2	26.00	52.00
TOTAL		160		12,837.75

# Ag Land Values – Statutory Limitations on Increases/Decreases

SDCL 10-6-77. For the taxes payable in 2014, 2015, 2016, 2017, 2018, and 2019, the total taxable value of cropland within any county may not increase or decrease more than:

- (1) Fifteen percent in any year, if the county is less than thirty percent from its full agricultural income value;
- (2) Twenty percent in any year, if the county is thirty percent or more but less than fifty percent from its full agricultural income value; and
- (3) Twenty-five percent in any year, if the county is fifty percent or more from its full agricultural income value.

For the taxes payable in 2014, 2015, 2016, 2017, 2018, and 2019, the total taxable value of noncropland within any county may not increase or decrease more than:

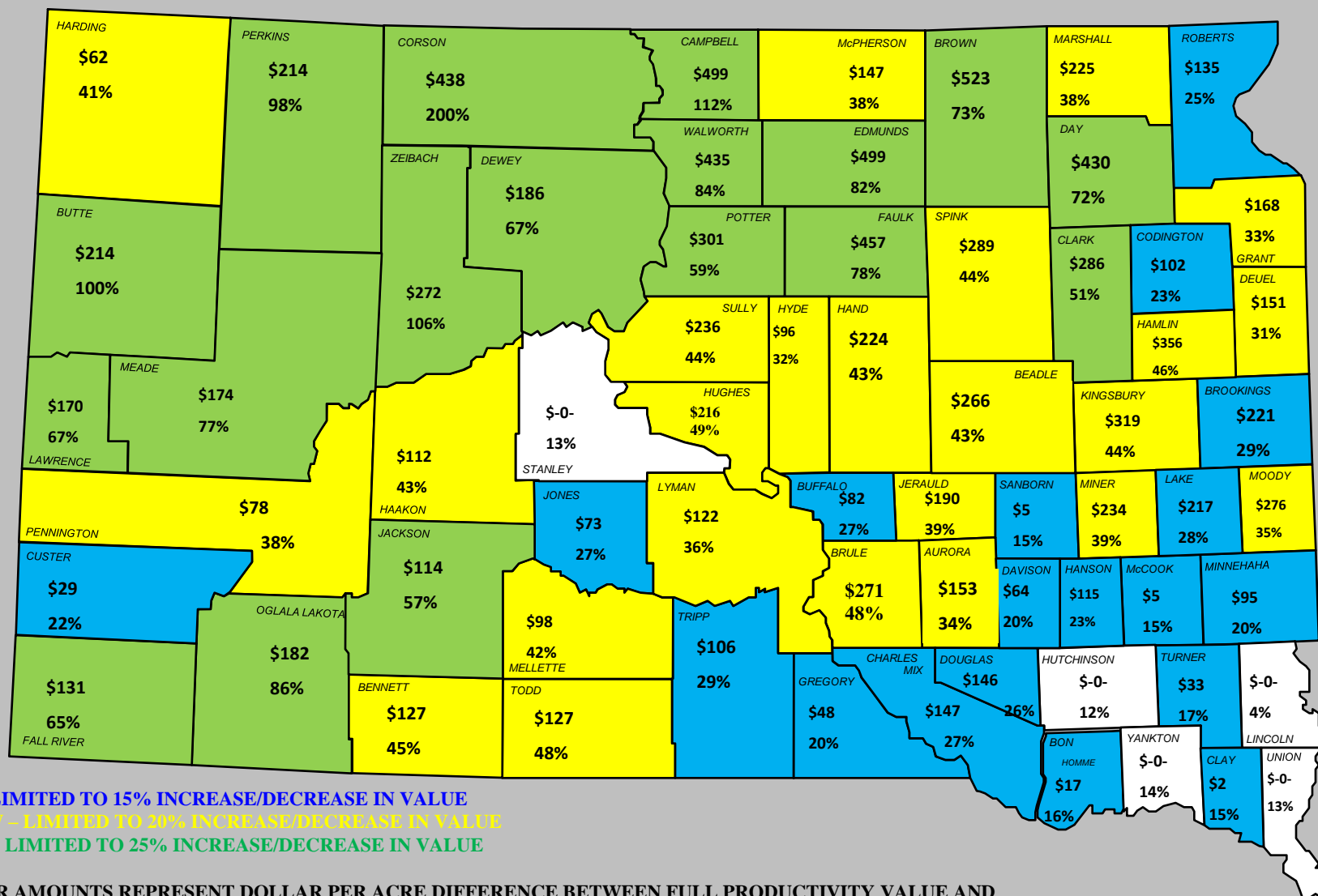
- (1) Fifteen percent in any year, if the county is less than thirty percent from its full agricultural income value;
- (2) Twenty percent in any year, if the county is thirty percent or more but less than fifty percent from its full agricultural income value; and
- (3) Twenty-five percent in any year, if the county is fifty percent or more from its full agricultural income value.

**Source:** SL 2008, ch 44, § 2; SL 2009, ch 40, § 3; SL 2012, ch 62, § 1.



# 2014 Cropland Productivity Valuations

(all figures equalized to 85%)



BLUE – LIMITED TO 15% INCREASE/DECREASE IN VALUE

YELLOW – LIMITED TO 20% INCREASE/DECREASE IN VALUE

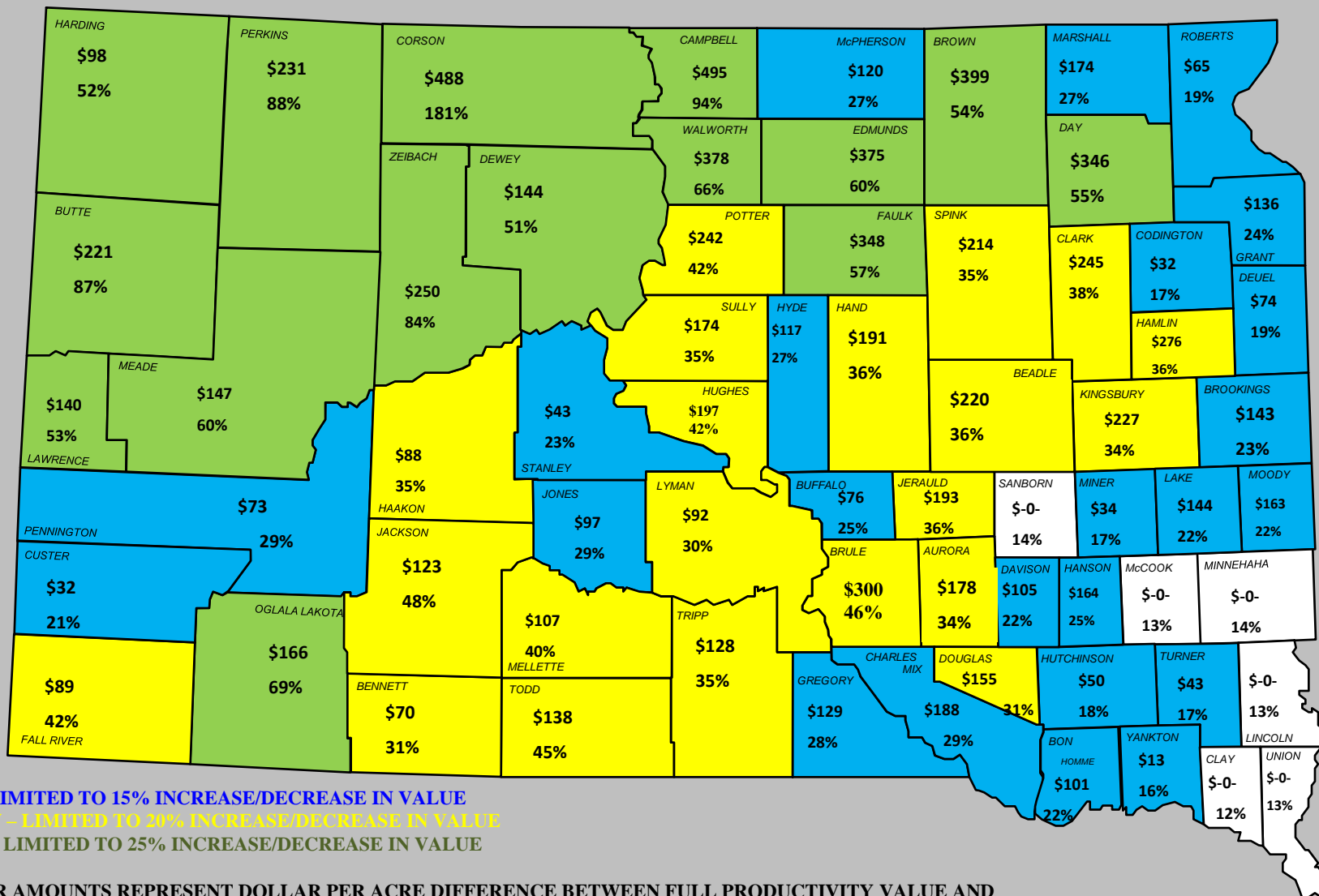
GREEN – LIMITED TO 25% INCREASE/DECREASE IN VALUE

\*DOLLAR AMOUNTS REPRESENT DOLLAR PER ACRE DIFFERENCE BETWEEN FULL PRODUCTIVITY VALUE AND 2014 LIMITED PRODUCTIVITY VALUE.

\*\*PERCENTAGES REPRESENT PERCENT CHANGE FROM 2013 LIMITED PRODUCTIVITY VALUE TO 2014 FULL PRODUCTIVITY VALUE.

# 2015 Cropland Productivity Valuations

(all figures equalized to 85%)



**BLUE – LIMITED TO 15% INCREASE/DECREASE IN VALUE**

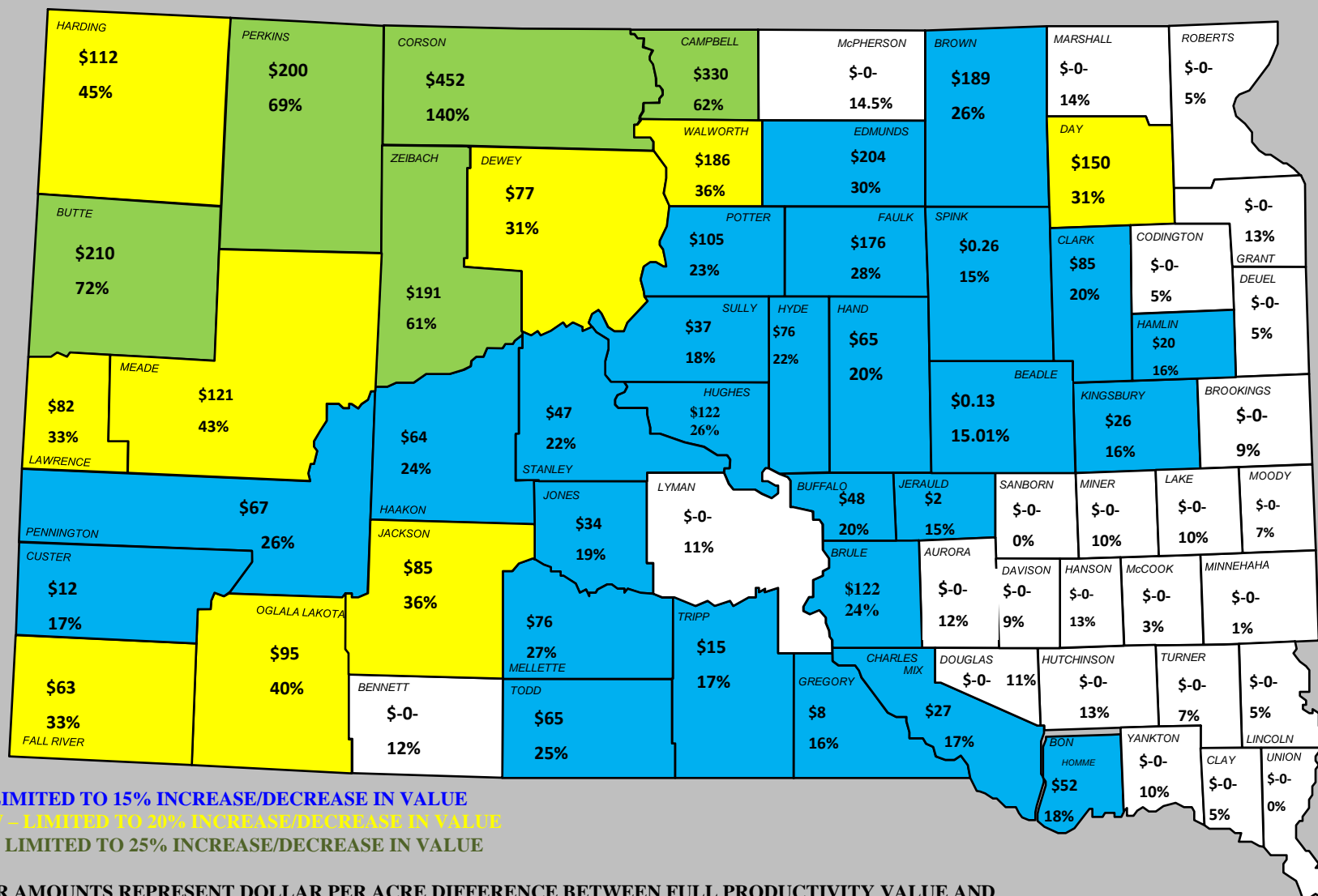
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**\*\*PERCENTAGES REPRESENT PERCENT CHANGE FROM 2014 LIMITED PRODUCTIVITY VALUE TO 2015 FULL PRODUCTIVITY VALUE.**

# 2016 Cropland Productivity Valuations

(all figures equalized to 85%)



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YELLOW – LIMITED TO 20% INCREASE/DECREASE IN VALUE

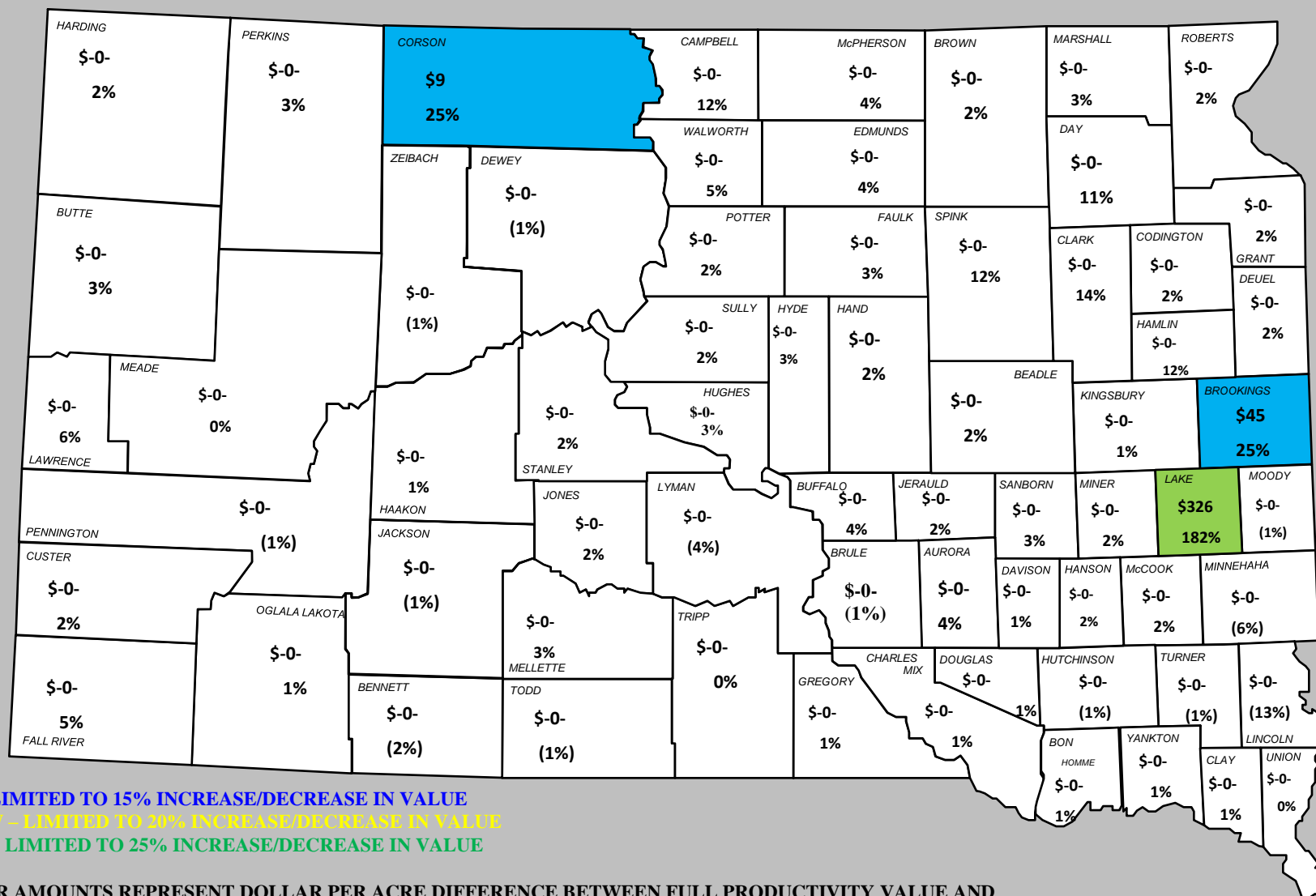
GREEN – LIMITED TO 25% INCREASE/DECREASE IN VALUE

\*DOLLAR AMOUNTS REPRESENT DOLLAR PER ACRE DIFFERENCE BETWEEN FULL PRODUCTIVITY VALUE AND 2016 LIMITED PRODUCTIVITY VALUE.

\*\*PERCENTAGES REPRESENT PERCENT CHANGE FROM 2015 LIMITED PRODUCTIVITY VALUE TO 2016 FULL PRODUCTIVITY VALUE.

# 2014 Noncropland Productivity Valuations

(all figures equalized to 85%)



BLUE – LIMITED TO 15% INCREASE/DECREASE IN VALUE

YELLOW – LIMITED TO 20% INCREASE/DECREASE IN VALUE

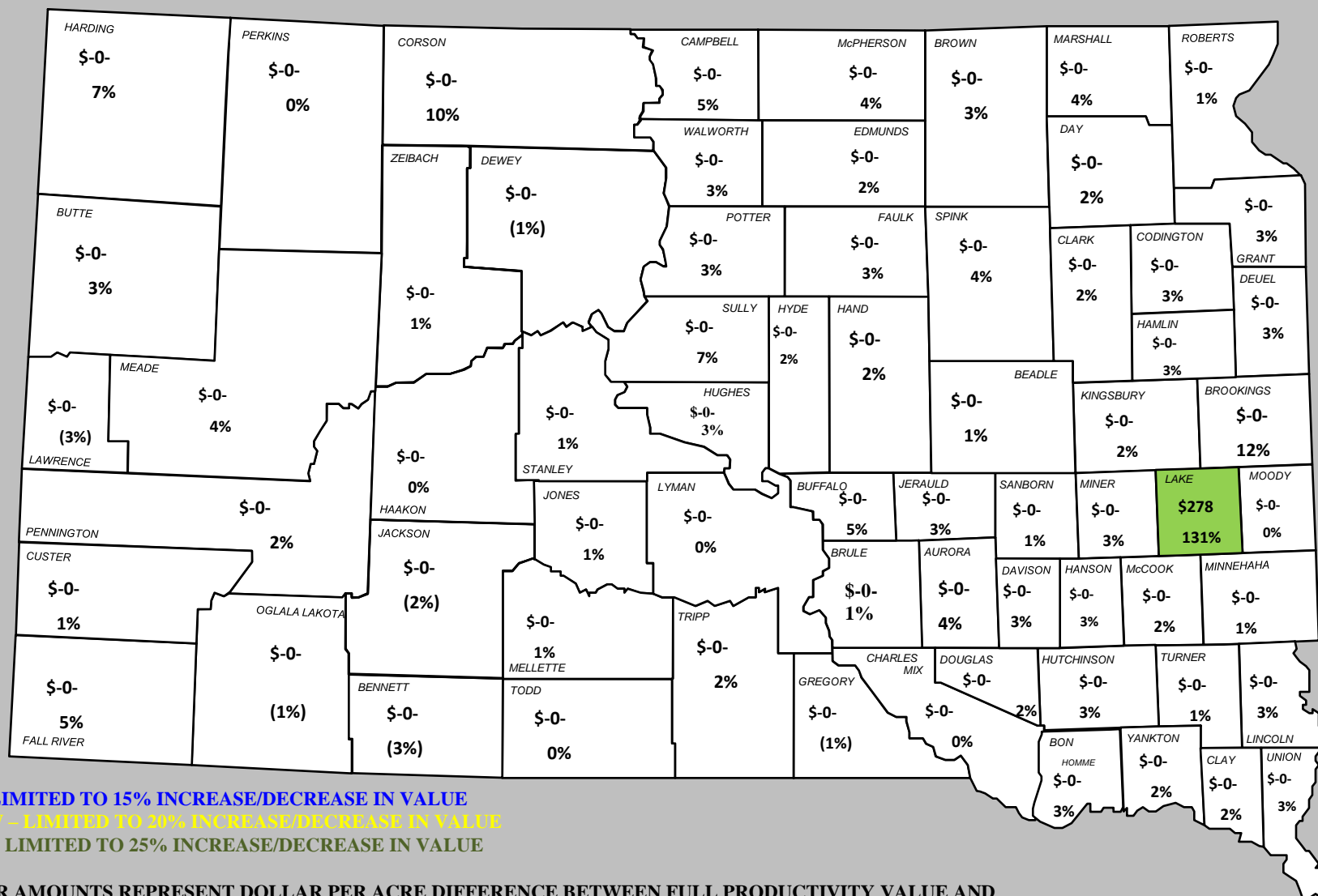
GREEN – LIMITED TO 25% INCREASE/DECREASE IN VALUE

\*DOLLAR AMOUNTS REPRESENT DOLLAR PER ACRE DIFFERENCE BETWEEN FULL PRODUCTIVITY VALUE AND 2014 LIMITED PRODUCTIVITY VALUE.

\*\*PERCENTAGES REPRESENT PERCENT CHANGE FROM 2013 LIMITED PRODUCTIVITY VALUE TO 2014 FULL PRODUCTIVITY VALUE.

# 2015 Noncropland Productivity Valuations

(all figures equalized to 85%)



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YELLOW – LIMITED TO 20% INCREASE/DECREASE IN VALUE

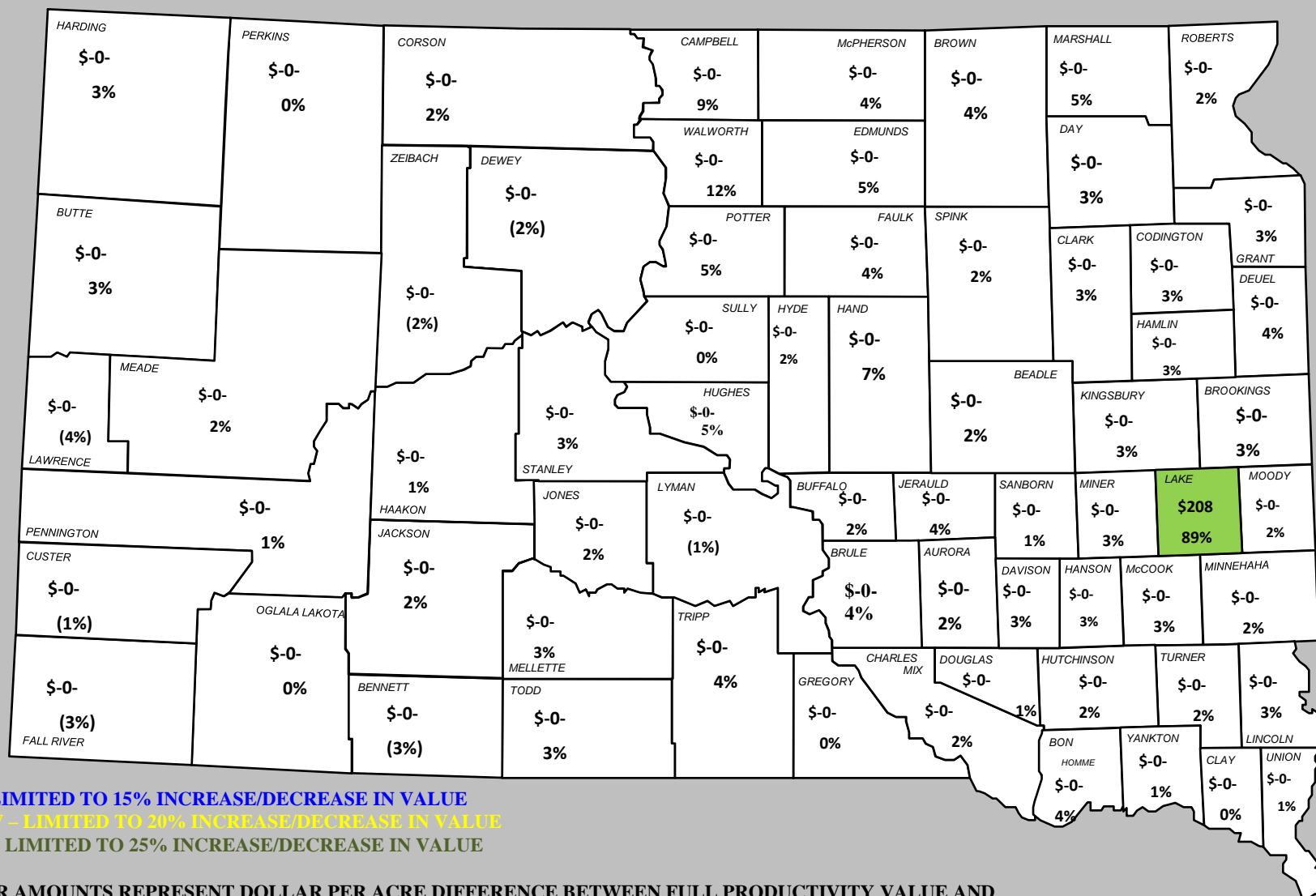
GREEN – LIMITED TO 25% INCREASE/DECREASE IN VALUE

\*DOLLAR AMOUNTS REPRESENT DOLLAR PER ACRE DIFFERENCE BETWEEN FULL PRODUCTIVITY VALUE AND 2015 LIMITED PRODUCTIVITY VALUE.

\*\*PERCENTAGES REPRESENT PERCENT CHANGE FROM 2014 LIMITED PRODUCTIVITY VALUE TO 2015 FULL PRODUCTIVITY VALUE.

# 2016 Noncropland Productivity Valuations

(all figures equalized to 85%)



BLUE – LIMITED TO 15% INCREASE/DECREASE IN VALUE

YELLOW – LIMITED TO 20% INCREASE/DECREASE IN VALUE

GREEN – LIMITED TO 25% INCREASE/DECREASE IN VALUE

\*DOLLAR AMOUNTS REPRESENT DOLLAR PER ACRE DIFFERENCE BETWEEN FULL PRODUCTIVITY VALUE AND 2015 LIMITED PRODUCTIVITY VALUE.

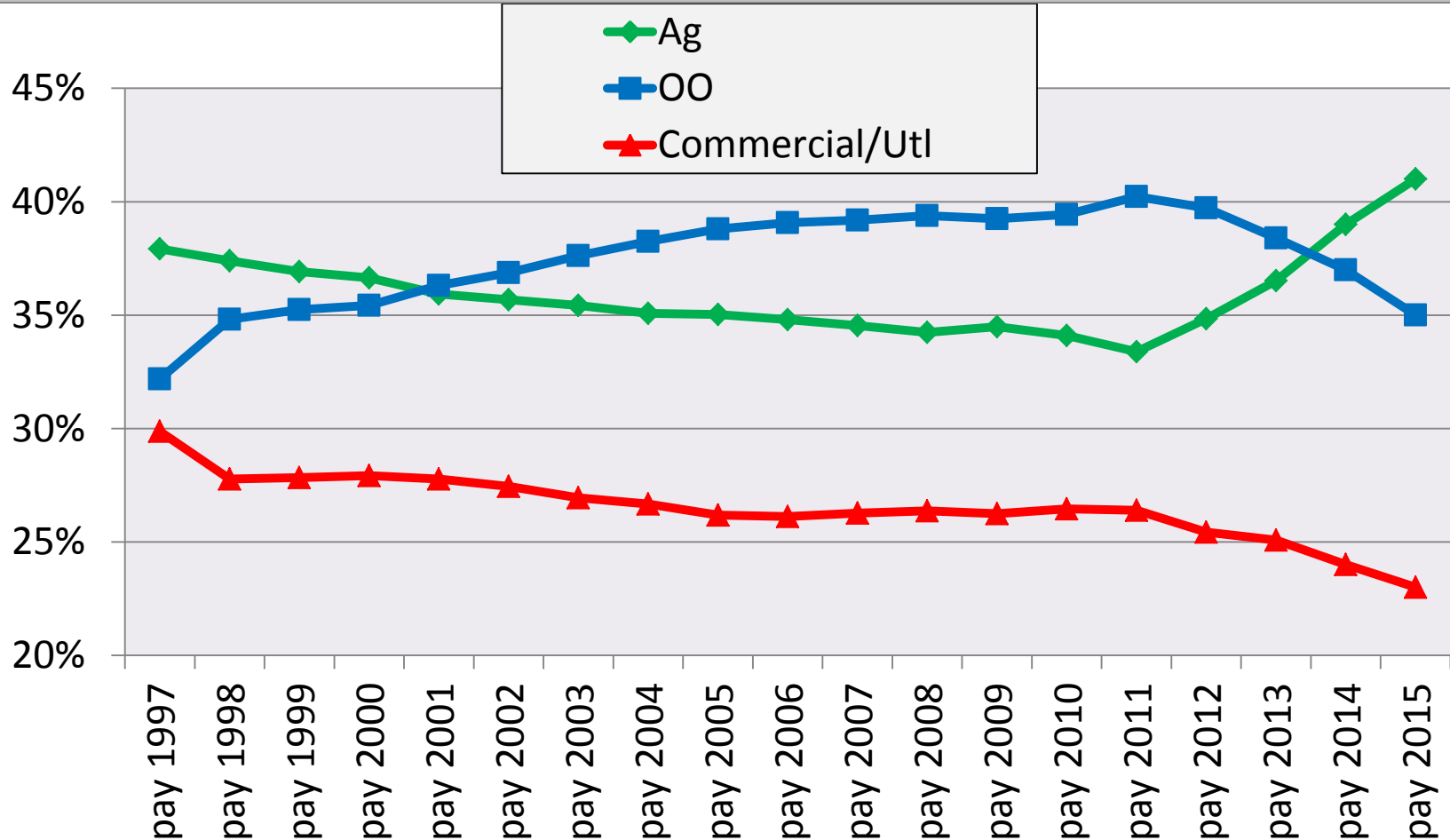
\*\*PERCENTAGES REPRESENT PERCENT CHANGE FROM 2015 LIMITED PRODUCTIVITY VALUE TO 2016 FULL PRODUCTIVITY VALUE.

# Valuation by Class

(all figures equalized to 85%)

For Taxes Payable in	Agricultural	% of Total	Owner-Occupied	% of Total	Commercial	% of Total	Utilities	% of Total	TOTAL
2003	12,277,695,126	35.43	13,038,052,643	37.62	8,212,742,597	23.70	1,126,545,169	3.25	34,655,035,535
2004	13,085,504,017	35.07	14,269,607,712	38.25	8,811,374,289	23.62	1,141,657,751	3.06	37,308,143,769
2005	14,015,749,247	35.03	15,523,846,537	38.79	9,362,992,929	23.40	1,113,225,824	2.78	40,015,814,537
2006	15,097,290,060	34.80	16,954,988,100	39.08	10,238,689,250	23.60	1,093,714,459	2.52	43,384,681,869
2007	16,427,689,981	34.54	18,633,455,339	39.18	11,336,818,639	23.84	1,158,792,774	2.44	47,556,756,733
2008	17,688,985,934	34.23	20,353,223,881	39.39	12,504,672,828	24.20	1,124,579,669	2.18	51,671,462,309
2009	19,058,117,169	34.49	21,687,103,039	39.25	13,334,072,762	24.13	1,169,829,792	2.12	55,249,122,762
2010	19,690,137,457	34.11	22,768,420,477	39.44	14,051,480,469	24.34	1,222,801,442	2.12	57,732,839,845
2011	19,691,529,066	33.38	23,726,031,354	40.22	14,345,035,001	24.32	1,222,426,811	2.07	58,985,022,232
2012	21,198,601,461	34.84	24,168,972,982	39.72	14,186,603,573	23.32	1,289,522,163	2.12	60,843,700,179
2013	23,009,157,595	36.52	24,187,671,139	38.39	14,543,781,399	23.09	1,258,762,412	2.00	62,999,372,545
2014	26,152,823,040	38.81	25,026,080,805	37.14	14,919,046,958	22.14	1,285,494,413	1.91	67,383,445,216
<b>2015</b>	<b>31,471,871,046</b>	<b>41.50</b>	<b>26,568,999,684</b>	<b>35.03</b>	<b>16,418,586,431</b>	<b>21.65</b>	<b>1,376,178,334</b>	<b>1.82</b>	<b>75,835,635,495</b>

# Valuation by Class as % of Total

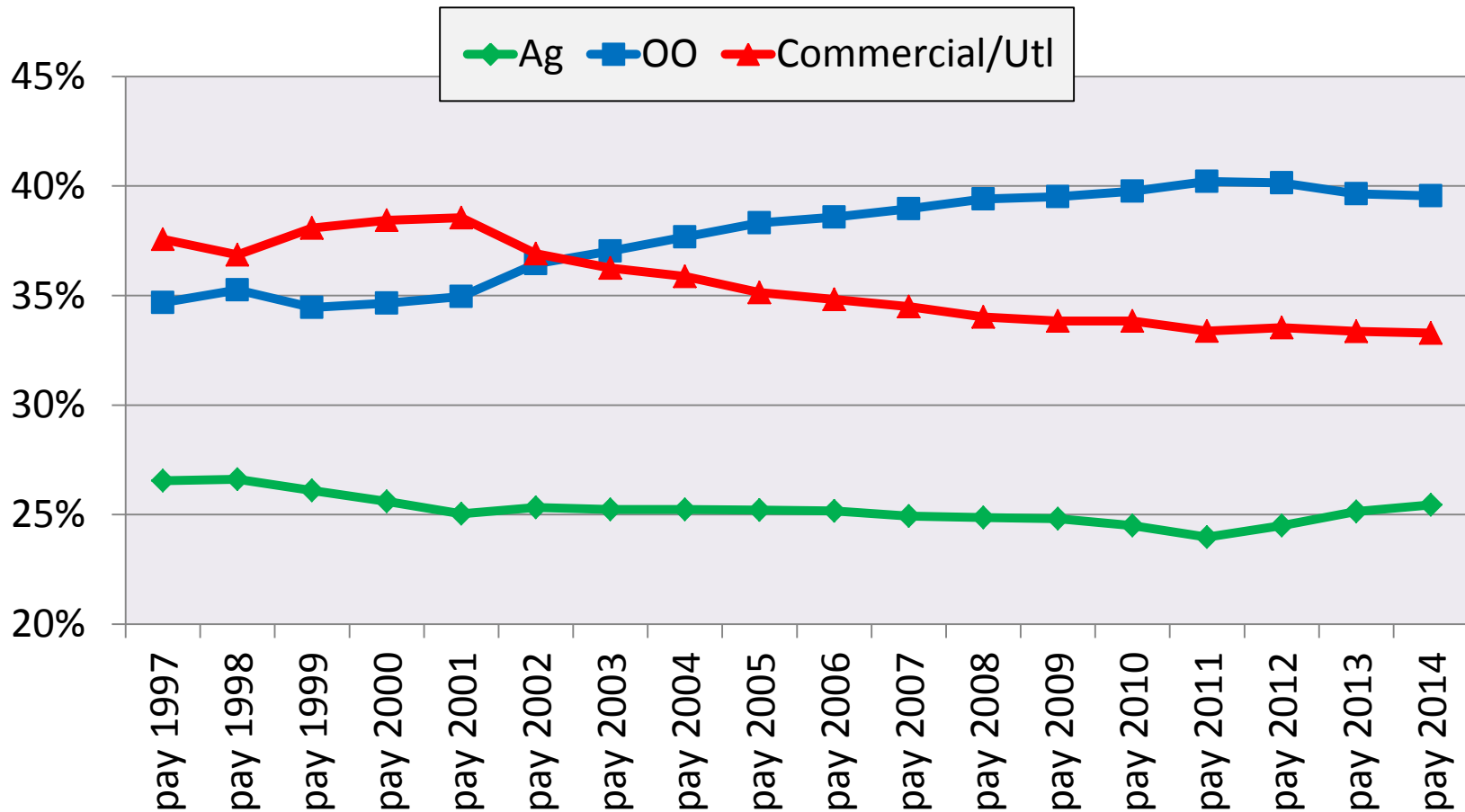




# Property Taxes: Who Pays?

Year Taxes are Payable	Agricultural	% Of Total	Owner-occupied	% Of Total	Commercial	% Of Total	Utilities	% Of Total	Special Assessments	% Of Total	TOTAL
2003	176,354,349	25.24	258,757,664	37.03	222,277,922	31.81	31,052,406	4.44	10,279,052.77	1.47	698,721,394
2004	183,027,601	25.24	273,180,527	37.67	229,836,765	31.69	30,282,567	4.18	8,835,377.91	1.22	725,162,838
2005	190,743,858	25.21	289,985,539	38.32	236,891,146	31.31	28,975,635	3.83	10,120,766.02	1.34	756,716,943
2006	202,173,330	25.17	309,831,254	38.58	252,523,983	31.44	27,191,751	3.39	11,422,093	1.42	803,142,410
2007	211,381,559	24.93	330,332,434	38.96	267,236,569	31.52	25,266,119	2.98	13,675,583	1.61	847,892,758
2008	219,709,028	24.87	348,147,127	39.41	277,552,244	31.42	22,957,006	2.60	15,057,152	1.70	883,422,556
2009	231,587,046	24.81	368,765,290	39.51	292,805,927	31.37	23,025,217	2.47	17,091,242	1.83	933,274,722
2010	239,627,362	24.50	388,867,662	39.76	307,499,562	31.44	23,463,130	2.40	18,467,990	1.89	977,925,706
2011	240,496,832	23.97	403,337,138	40.21	312,194,141	31.12	22,646,984	2.26	24,485,447	2.44	1,003,160,542
2012	252,715,223	24.50	414,066,249	40.14	321,656,276	31.18	24,275,738	2.35	18,819,754	1.83	1,031,533,239
2013	269,377,688	25.14	424,725,465	39.64	331,147,206	30.91	26,337,906	2.46	19,768,706	1.83	1,071,356,971
<b>2014</b>	<b>286,177,332</b>	<b>25.45</b>	<b>444,727,084</b>	<b>39.55</b>	<b>346,978,590</b>	<b>30.86</b>	<b>27,320,189</b>	<b>2.43</b>	<b>19,323,088</b>	<b>1.72</b>	<b>1,124,526,283</b>

# Who Pays: Property Taxes Paid by Class as % of Total





# **SCHOOL CAPITAL OUTLAY FUND TAXES**

# Capital Outlay Fund Uses

- SDCL 13-16-6: The capital outlay fund of the school district is a fund provided by law to meet expenditures which result in the acquisition or lease of or additions to real property, plant, or equipment. Such an expenditure shall be for:
  - Land
  - existing facilities
  - improvement of grounds
  - construction of facilities
  - additions to facilities
  - remodeling of facilities
  - the purchase or lease (1996) of equipment
  - may also be used for installment or lease-purchase (1989) payments for the purchase of real property, plant, or equipment
  - Transportation costs (1997), including mileage reimbursement (2006) (not to exceed 15% of the cost)
  - The capital outlay fund may be used to purchase textbooks and instructional software (2001).
  - The capital outlay fund may be used to purchase warranties on capital assets if the warranties do not include supplies (2002).

# Capital Outlay Fund Uses

- Temporary Additional Uses
  - Enacted by SB 91 in the 2009 Session; original sunset was 2012, but extended to June 30, 2018.
  - Uses are limited to:
    - purchase of property insurance and casualty insurance;
    - payments for energy costs and the cost of utilities; and
    - motor fuel or for any portion of a contract providing transportation to students or for any mileage reimbursement.

Total amount of these expenses may not exceed forty-five percent (45%) of the total capital outlay tax revenues.

# Capital Outlay Fund Flexibility

## Expenditures by Year

School Year	Utilities	Contracted Bus Services	Mileage Paid in lieu of Busing	Motor Fuel	Property and Casualty Insurance	TOTAL
FY14	\$6,943,566	\$3,182,574	\$239,179	\$1,601,846	\$1,395,216	<b>\$13,362,381</b>
FY13	\$8,328,113	\$3,614,765	\$200,763	\$1,740,249	\$1,226,091	<b>\$15,109,981</b>
FY12	\$8,418,954	\$2,883,791	\$202,159	\$1,956,237	\$1,543,609	<b>\$15,004,749</b>
FY11	\$4,252,007	\$2,834,471	\$125,064	\$810,339	\$587,428	<b>\$8,609,308</b>
FY10	\$1,576,172	\$2,189,970	\$123,902	\$411,579	\$640,743	<b>\$4,942,365</b>
FY09	\$0	\$985,171	\$14,306	\$34,919	\$0	<b>\$1,034,396</b>

# Property Taxes: Where Does the Money Go?

## (With Capital Outlay)

For Taxes Payable In	Schools	% Of Total	Capital Outlay (Included in Schools)	% Of Total	% Of School	Local Governments	% of Total	Special Assessments	% Of Total	TOTAL
Pay 2003	417,257,623	59.72	82,322,044	11.78	19.73	271,184,718	38.81	10,279,053	1.47	698,721,394
Pay 2004	430,465,020	59.36	88,758,012	12.24	20.62	285,862,441	39.42	8,835,378	1.22	725,162,838
Pay 2005	447,203,111	59.10	95,097,727	12.57	21.26	299,393,066	39.56	10,120,766	1.34	756,716,943
Pay 2006	475,005,462	59.14	103,674,617	12.91	21.83	316,714,856	39.43	11,422,093	1.42	803,142,410
Pay 2007	495,863,786	58.48	113,305,100	13.36	22.85	338,352,895	39.91	13,675,583	1.61	847,892,264
Pay 2008	506,618,292	57.35	125,562,102	14.21	24.78	361,747,112	40.95	15,057,152	1.70	883,422,556
Pay 2009	529,246,426	56.71	132,932,134	14.24	25.12	386,937,063	41.46	17,091,242	1.83	933,274,722
Pay 2010	546,181,894	55.85	139,983,299	14.31	25.63	413,275,821	42.26	18,467,990	1.89	977,925,706
Pay 2011	560,022,922	55.83	143,918,371	14.35	25.70	418,652,174	41.73	24,485,447	2.44	1,003,160,542
Pay 2012	574,213,937	55.67	148,643,016	14.41	25.89	438,499,549	42.51	18,819,754	1.82	1,031,533,239
Pay 2013	589,839,803	55.06	152,124,104	14.20	25.79	461,748,462	43.1	19,768,706	1.85	1,071,356,971
<b>Pay 2014</b>	<b>635,031,575</b>	<b>56.47</b>	<b>163,297,395</b>	<b>14.52</b>	<b>25.71</b>	<b>470,171,619</b>	<b>41.81</b>	<b>19,323,088</b>	<b>1.72</b>	<b>1,124,526,282</b>

## Questions?

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